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This Week in Canadian Agriculture, Issue 44 2001

Approved by:

Norval E. Francis, Jr.

U.S. Embassy

Prepared by:

George C. Myles and Matthew A. Cahoon

Report Highlights:

"What's New, EH?" * Slower Growth Rate for Exports of Frozen French Fries * Potato
Wart Compensation * Canada Customs Re-Investigating Lettuce Anti-Dumping Values
* B.C. to Sign Agreements to Open Lumber Markets in China * Chretien's Free Trade
Remarks Welcomed by B.C. Lumber Group * Fraser Institute Report Calls for End to
Milk Boards * New Research Facility for Nutraceutical and Functional Foods
...AND MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

SLOWER GROWTH RATE FOR EXPORTS OF FROZEN FRENCH FRIES: The annual double digit growth of Canadian frozen french fry exports of recent years fell sharply during MY2000/01 (July/June) to 2.5% compared to the 20% year over year increase registered twelve months earlier. The change reflects, in part, slower growth in overall frozen french fry production in Canada. The period of the late 1990s was a particularly active one for new investment in Canadian plants to process frozen french fries. Two plants by McCain and one by Lamb Weston in western Canada became operational during that period (see CA8075 and CA9136). Further future expansion is anticipated after the start up of the new Simplot plant near Portage La Prairie, Manitoba, announced late last year (see CA0201). In MY2000/01, Canada exported 634,000 metric tons of frozen french fries and 87%, or 551,000 metric tons, worth \$370 million, were destined for U.S. dinner plates and fast food outlets. For more information, see the annual Frozen French Fry report, CA1157.

POTATO WART COMPENSATION: The Canadian Food Inspection Agency has published the details of a package to compensate Prince Edward Island potato growers for losses incurred due to costs related to plant health regulatory measures placed on the use of their land and on potatoes, processing operations and equipment removed from affected fields due to the presence of potato wart fungus. The estimated direct cost of compensating growers for years 2000 to 2003 will be between C\$400,000 and C\$700,000. Compensation to be paid to growers is limited to: the loss of use of potato-growing land; the costs for required disposal of potatoes (including costs for potatoes sold for purposes other than those for which they were produced); the cleaning and disinfection of equipment and potato processing and storage facilities; the transportation costs for the return of soil from a processing facility to the field of origin; the costs for additional water required to be provided to clean and disinfect equipment; and the costs for the construction of crushed stone pads where cleaning and disinfection of equipment takes place. On March 13, 2001 federal Agriculture Minister, Lyle Vanclief announced up to C\$12.6 million in federal funding to assist Prince Edward Island potato producers coping with losses associated with the outbreak of Potato Wart discovered on the Island last October (see CA1044).

CANADA CUSTOMS RE-INVESTIGATING LETTUCE ANTI-DUMPING VALUES: The Canada Customs and Revenue Agency is re-investigating the normal values used to calculate the anti-dumping duty against fresh Iceberg (head) lettuce from the United States imported into British Columbia. The re-investigation is scheduled to be completed by January 21, 2002. Canada has imposed an anti-dumping duty on U.S. iceberg lettuce since 1992 and the duty was renewed again in 1997. It is only applied during the period June 1 to October 15 of each year,

when British Columbia-grown Iceberg lettuce is marketed. The duties will expire in November 2002 unless another review is initiated and results in a renewal. For a summary of Canadian anti-dumping & countervail actions on U.S. agricultural products since 1985, see CA0184. Total Canadian imports of head lettuce from the United States in 2000 reached \$58 million, of which \$8.3 million was destined for British Columbia. Canadian imports of all types of lettuce from the U.S. during 2000 exceeded \$150 million.

ONTARIO MOVES TO IMPROVE FOOD SAFETY AT FOOD TERMINAL: Ontario is investing more than C\$78,000 in implementing a Hazard Analysis and Critical Control Point (HACCP) and food safety education program at the Ontario Food Terminal, Agriculture, Food and Rural Affairs Minister Brian Coburn has announced. HACCP is an internationally recognized system for preventing food contamination. "With this project, consumers will be better assured that the Ontario Food Terminal is a leader in the safe transport, storage and preparation of fruit and vegetables." The Ontario Food Terminal Board and the Toronto Wholesale Produce Association will fund the balance of the C\$150,000 project, which will result in comprehensive food safety standards and policies, a food safety training video and 18 new or upgraded jobs related to monitoring and co-ordinating food safety activities. The Ontario Food Terminal, located in Toronto, is the only wholesale produce market in Canada. From this venue, vendors and warehouse tenants sell fruits and vegetables to more than 6,000 buyers. More U.S. fresh fruit and vegetables are unloaded at the Ontario Food Terminal than at any other location in Canada

B.C. TO SIGN AGREEMENTS TO OPEN LUMBER MARKETS IN CHINA: According to the British Columbia Council of Forest Industries (COFI), representatives of COFI, as well as its research, educational and industry partners, and BC Premier Gordon Campbell are meeting in Shanghai to sign three Memorandums of Understanding (MOUs) that will mark an important step in development of innovative new markets for BC wood products in China. COFI President Ron MacDonald said: "The BC team intends to create a quality standard for wood frame structures in China that will ensure that wood buildings meet consistent levels of construction quality and provide an assurance to consumers and key service providers." The MOUs will result in the setting of standards for platform frame construction and for the training of Chinese professionals and tradesmen. The Canadian government announced that it will be a funding partner along with British Columbia and the forest sector. A fourth MOU including the federal government, COFI, Forintek Canada and the Chinese Academy of Forestry will be signed in BC later this year. COFI and Forintek Canada Corp. have been actively working in China on building code issues for almost two years. There has been intense activity focused to a large degree on cooperating with key code authorities in China under the umbrella of an agreement with the Chinese Ministry of Construction.

B.C. ANNOUNCES ACTION PLAN TO COMBAT MOUNTAIN PINE BEETLE: According to the British Columbia Ministry of Forests, a wide-ranging strategic action plan to respond to the largest mountain pine beetle infestation in the province's history. The action plan is the result of extensive consultations with workers, community leaders, First Nations and industry representatives. The plan includes these key actions: (1) Appoint a beetle management

co-ordinator who will report directly to the minister of forests. (2) Establish emergency management zones that will allow faster harvesting of infested timber. (3) Extend the 'waterbed' exemption until a new market-based pricing regime is in place. (4) Protect communities through transferring cutting rights across timber supply areas, co-ordinating fire protection action, streamlining administration and increasing cut control flexibility. (5) Improve transportation infrastructure, including improved access into infested areas. (6) Pursue federal contribution for emergency funding. The mountain pine beetle infestation has spread over the past several years as a result of mild weather and an abundance of mature lodgepole pine, the predominant species of commercially harvested timber in the province. The pine beetle has infested more than 600,000 hectares within an area of 5.7 million hectares and is estimated to be worth about (twice the size of Vancouver Island). The affected timber is estimated to be worth about C\$4.2-billion.

CHRETIEN'S FREE TRADE REMARKS WELCOMED BY B.C. LUMBER GROUP:

According to a Nov. 7 *Canada Newswire* article, the BC Lumber Trade Council strongly endorses the position that Prime Minister Jean Chrétien is taking in defense of Canadians being negatively impacted by the softwood lumber dispute with the United States. "If the United States wants to have free trade in natural gas and oil, they should have free trade in lumber, as well." said David Emerson, Co-Chair of the BC Lumber Trade Council and President & CEO of Canfor. "The softwood lumber dispute threatens jobs across Canada and we believe Canadians need to be united in their efforts to fight these punitive, capricious and arbitrary duties," said Mr. Emerson. The BC Lumber Trade Council is the voice for companies in British Columbia representing the majority of BC lumber production while its member companies account for about half of Canadian lumber production and half of Canadian lumber exports to the United States.

FRASER INSTITUTE REPORT CALLS FOR END TO MILK BOARDS: According to the November 7 edition of *Good Morning Ontario*, a new report says Canadians are paying C\$1 billion a year more than Americans for milk products. The Fraser Institute, a policy think tank, says Canadians pay between nine and 36 cents more for a litre of whole milk than Americans. In a report called "The Perfect Food in a Perfect Mess," author Owen Lippert accuses milk boards of boosting domestic prices. Canadians are funding the cost of a 'complicated and antiquated' system of regulations. Lippert asserts that Canada's supply management system "distorts" prices. His report calls for (1) full trade liberalization of milk and milk products, (2) dismantling of milk boards and the "instruments of supply management" and (3) more research to see how producers can be compensated for their losses after liberalization. In response, the Dairy Farmers of Canada, says the report is full of misconceptions.

NEW RESEARCH FACILITY FOR NUTRACEUTICAL AND FUNCTIONAL FOODS:

The federal government and the provincial government of Manitoba are contributing \$6 million each toward the cost of constructing a C\$25 million state-of-the-art integrated research and development center will be built next year at the University of Manitoba to service the nutraceutical and functional food industry. According to the joint press release, several crops grown in Manitoba, including oats, wheat, buckwheat, canola, flax and hemp, have been identified as excellent candidates for value-added processing as functional foods (i.e., foods that

have health-enhancing properties in addition to normal nutritional benefits). Nutraceutical products are made from foods but are sold in pill, powder or other medicinal forms, and have medicinal qualities. Up to 90 Manitoba-based researchers will develop processes to identify, enhance and extract food components that promote good health, such as essential fatty acids and bioactive components that assist in reducing the risk of chronic disease.

Did You Know...that of total U.S. fresh fruit exports to Canada, fresh grapes is the leader. In 2000, U.S. exports of fresh grapes to Canada, for table use and for winemaking, reached \$128 million, surpassing the combined total of U.S. citrus fruit exports to Canada of \$120 million.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA1150	Canada Releases Trade Objectives for 4 th WTO Ministerial	10/25/2001
CA1151	Fresh Strawberry Annual	10/29/2001
CA1152	Extension Granted on Use of 5 A Day Promotional Logo	10/30/2001
CA1154	New Hog Processing Plant for Ontario	10/31/2001
CA1155	This Week In Canadian Agriculture, Issue 42	10/27/2001
CA1156	This Week in Canadian Agriculture, 43	11/01/2001
CA1157	Frozen French Fry Annual	11/8/2001

Contact: FAS/Ottawa e-mail: usagr@istar.ca